# CALGARY POWER LTD.

## 1975 Annual Report

# CALGARY POWER LTD.

## DIRECTORS

*R. G. BLACK, Q.C., *Calgary, Alberta*
Partner, Jones, Black & Company

J. H. COLEMAN, *Toronto, Ontario*
Financial Consultant

J. B. CROSS, *Okotoks, Alberta*
Rancher

D. D. DUNCAN, Q.C., *Edmonton, Alberta*
Partner, Duncan & Craig

A. S. GORDON, *Westmount, Quebec*
Consultant, Merrill Lynch,
Royal Securities Limited

*A. W. HOWARD, *Calgary, Alberta*
Chairman of the Board
and Chief Executive Officer

C. F. MALLORY, *Westmount, Quebec*
Vice-President, Montreal
Engineering Company, Limited

W. J. McCARTHY
*Town of Mount Royal, Quebec*
Senior Vice-President, Finance
Sun Life Assurance Company of
Canada

J. H. McLAUGHLIN, *Spruce Grove, Alberta*
Farmer

*R. F. PHILLIPS, *Calgary, Alberta*
President and Chief Executive Officer
Home Oil Company Limited

M. M. WILLIAMS, *Calgary, Alberta*
President

*MEMBER OF AUDIT COMMITTEE

403/267-7110

267-7412

## OFFICERS

A. W. HOWARD
Chairman of the Board
and Chief Executive Officer

M. M. WILLIAMS
President

W. L. FRASER
Vice-President, Engineering
and Planning

G. H. MILLIGAN
Vice-President, Administration

H. G. SCHAEFER
Vice-President, Finance
and Treasurer

E. W. SMITH
Vice-President, Operations and
Customer Services

J. W. NEWBY
Secretary

H. B. CURTIS
Assistant Secretary

F. V. KAY
Assistant Treasurer

## OFFICIALS

E. J. BARRY
Assistant Vice-President, Planning

D. G. BACON
Director of Consumer Services

J. A. BOURNE
Controller

T. E. CARDELL
Director of Operational Services

R. B. CARRUTHERS
Capital Budget Administrator

J. A. CLOW
Director of Technical Services

G. A. HADLINGTON
Project Director, Camrose-Ryley

M. J. HALPEN
Director of Administrative Services

E. J. MacLEOD
Director of Regulatory Applications
and Transmission Consultant

F. A. R. McKINNON
Director of Finance

D. B. PORTER
Director of Public Affairs

### COVER PHOTO

When completed in 1980 the Sundance Plant will be one of the largest thermal electric generating plants in Canada.

## FINANCIAL RESULTS IN BRIEF

| | 1975 | 1974 |
|---|---|---|
| Gross Revenue from Operations . . . | **$128,606,000** | $102,449,000 |
| Net Income . . . . . . . . . . . . | **$ 29,461,000** | $ 18,956,000 |
| Shareholders' Investment . . . . . . | **$284,514,000** | $221,342,000 |
| Earnings Per Common Share . . . . . | **$3.40** | $2.68 |
| Dividends Declared Per Common Share . . . . . . . . . | **$1.60** | $1.25 |
| Capital Expenditures . . . . . . . | **$160,519,000** | $120,209,000 |
| Total Assets . . . . . . . . . . . . | **$759,615,000** | $601,564,000 |

## CONTENTS



SHAREHOLDERS' MEETING

*The annual general meeting of shareholders of Calgary Power Ltd. will be held at 110 - 12 Avenue S.W., Calgary, Alberta, at 10:30 a.m. on May 6, 1976.*

# 1975 IN REVIEW

Cooling pond covering 1,200 acres at Sundance Plant to eliminate heat discharge into Lake Wabamun, constructed at a cost of $22.4 million.

## REPORT TO THE SHAREHOLDERS

We are pleased to report that gains were achieved in many areas of the Company's operations in 1975 despite the uncertain economic conditions generally prevailing in North America. While not immune from these factors, Alberta was greatly assisted by continued high demand for its energy resources, increasing oil and gas prices, above average agricultural production, further diversification of its industry and a growing population. Calgary Power supplies almost two-thirds of the Province's electric energy requirements and therefore shares in these favourable conditions.

We continue to be concerned by inflation, high interest rates and the unstable labour situation in the construction industry combined with a shortage of skilled tradesmen. However, the determination of governments to attempt to control inflation, the signing of two-year construction labour agreements in 1975 and a good regulatory climate in Alberta provide an encouraging outlook. Low cost coal deposits owned or controlled by the Company to fuel its steam electric generating plants together with its hydro-electric plants assist significantly to shelter the Company's customers from much of the escalation in energy prices elsewhere.

The Company continued to exercise restraint and economy in expenditures. As a regulated utility our rates to customers cover only the cost of providing service (including the necessary cost of capital) and appear to satisfy the general principles of federal and provincial anti-inflation programs. This was confirmed by the Premier during the fall session of the Alberta Legislature when he also noted that the Government of Alberta holds the view with regard to regulated utilities that the Public Utilities Board (Alberta) is there to protect the consumers and to assure the viability and economic strength of essential utilities.

## REVENUE, EXPENSES AND EARNINGS

Gross revenue from operations in 1975 was $128.6 million, an increase of $26.2 million or 25.5% above 1974 revenue. Additional electric load

accounted for about 25% of the increase and the balance resulted from increased rates.

Consolidated operating expenses, depreciation and income and other taxes totalled $84.0 million, up $14.4 million over 1974. The largest portion of this increase was due to increased costs of fuel and purchased power arising from the delay in commissioning Sundance No. 3 generating unit, lengthy outages of Sundance Units No. 1 and No. 2 occasioned by mechanical difficulties and higher gas prices and coal mining costs. Increased borrowings at higher interest rates resulted in interest charges being 36.9% above 1974. Partially offsetting these higher interest charges was an increased allowance for funds used during construction charged to capital account mainly in respect of the Sundance project. Despite higher costs, earnings applicable to common shares were some $6.8 million higher than in 1974.

Earnings were $3.40 per common share. This compares with $2.68 per common share in 1974 which included a 29¢ per share non-recurring gain on sale of property. Overall, earnings and revenue are in keeping with the Public Utilities Board decision of August 1975 which is reviewed in more detail under Rate Regulation on page 18.

During 1975 two quarterly dividends of 35¢ and two of 45¢, a total of $1.60, were declared on the outstanding Class A Common Shares. Two "tax-deferred" dividends of 38.25¢ (equivalent to the dividends on Class A Common Shares less applicable special income tax of 15%) were declared on the Class B Common Shares with the first of such dividends being paid on October 1, 1975. The balance of the earnings per common share of $1.80, amounting to $11.5 million, was retained for use in the business.

## OPERATIONS

Electric energy supplied by the Company during 1975 totalled 9,192 million kilowatt-hours compared to 8,631 million kilowatt-hours in 1974. Significant gains were recorded in the town retail and wholesale categories. Sales to the industrial sector were adversely affected by operating and construction strikes at the plants of several major customers and by a moderate decline in demand from the oil and gas industry. The net result was that the overall load for the year increased 6.5%.

The 1975-1976 winter system peak increased 5.7% to 1,603,000 kilowatts compared with 1,517,000 kilowatts in 1974-1975.

Although the load supplied to industrial customers showed only a moderate gain in 1975, more significant growth is anticipated in 1976 and the next few years as new and expanded industrial plants are commissioned. In addition to contracts for new industrial load, the number of inquiries regarding power supply for proposed projects remains high.

The Company fosters conservation of energy through information programs directed at the efficient and effective use of electricity and encourages high load factor type of loads. The load factor on our system has improved from 55% in 1965 to over 65% in 1975, reflecting better use of our facilities. The Company has implemented some load management techniques and continues to examine others. However, there are significant limitations on the ability of a utility to change customers' electric power use without serious social and economic consequences.

## CAPITAL PROGRAM

Capital expenditures on new plant and equipment to meet increasing load and maintain quality of service reached a record $160.5 million in 1975 compared to $120.2 million in 1974.

The 1975 construction program involved an expenditure of $123.7 million on generating facilities. Major projects included continued construction of the third and fourth generating units and initial work on the fifth unit at the Sundance Steam Electric Plant ($86.7 million) with associated cooling pond ($9.6 million) and ash disposal system ($9.3 million); and continued work on electrostatic precipitators to remove particulate matter from exhaust gases at the Wabamun Steam Electric Plant ($8.3 million). A further $32.9 million was expended for expansion of transmission, substation and distribution facilities.

Capital expenditures in 1976 are expected to exceed those in 1975. This is due to a carry-over from 1975 resulting from a prolonged work stoppage at the Sundance Plant and construction problems with the precipitators at the Wabamun Plant in addition to a substantial expansion program to meet the increasing demand for electricity.

The effect of hyperinflation on the cost of new generating plant is of major concern. Plant costs have escalated at a rate considerably in excess of the rate of inflation generally prevalent in the economy at a time when interest rates are at near record levels. This situation affects the Company as a supplier of electricity as well as many of our customers who are faced with inordinately high costs for new industrial facilities.

## FINANCING

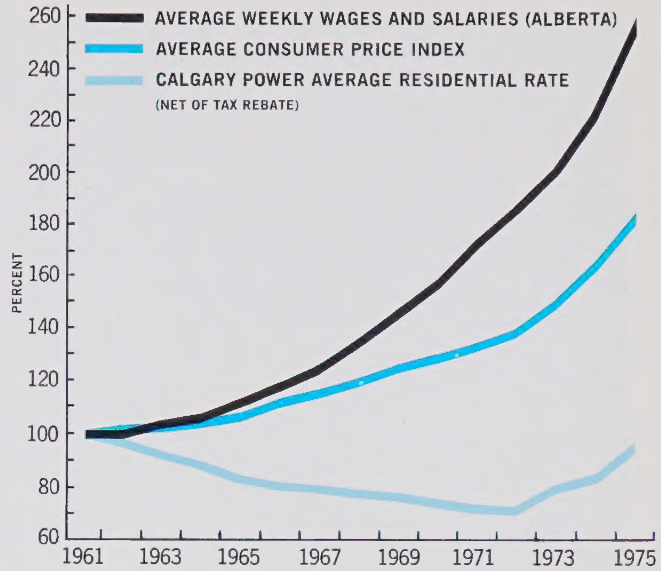
During 1975 the Company raised $130.9 million from external sources. In March $60 million Secured Debentures 10½% Series due 2000 were sold. Notes Payable-Secured of $18 million were

issued during the year under existing export credit facilities. Additional credit facilities of £10.4 million sterling were negotiated in the United Kingdom for export credit with respect to major equipment purchases in that country. The unused balance of credit equivalent to approximately $60 million will be drawn down over the period of construction.

In June the Company offered $20 million 9.80% First Preferred Shares. To satisfy the need for additional equity the Company made its first offering of Common Shares from treasury to the public in Canada. The offering was highly successful and 1,300,000 shares were sold raising approximately $32.5 million. Steps were taken to ensure that existing shareholders could participate in the offering and that shares were widely available to Alberta investors. We are pleased to report that approximately 45% of the new individual subscribers to this issue were Albertans.

Your directors feel that these financings were effected on timely and advantageous terms and that the financial markets were responsive and favourably disposed to the Company's securities.

To provide holders of Common Shares the alternative of receiving "tax-deferred" dividends under the Income Tax Act (Canada) the Company reclassified its Common Shares as Class A Common Shares and created an equal number of Class B




Common Shares. The Class A and Class B Common Shares are interconvertible at any time on a share for share basis and rank equally in all respects except for appropriate provisions with respect to dividends.

The Company proposes to implement a dividend reinvestment and treasury share purchase plan. This plan will provide a convenient opportunity for shareholders to increase their holdings of common shares as well as a new source of equity funds for the Company.

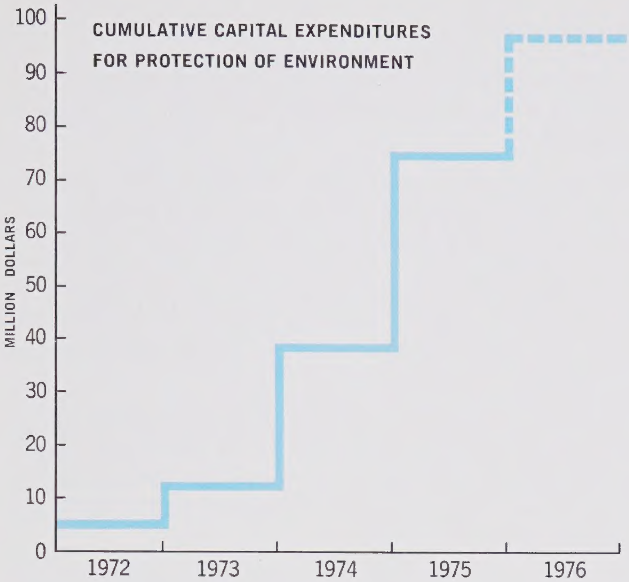
View of reclaimed land at Whitewood surface mine after coal has been removed.

## ENVIRONMENT

Protection of the environment at Company power plants requires expenditures principally for collection and disposal of particulate matter from exhaust gases, cooling-water facilities and land reclamation after surface mining of coal. During 1975 the Company incurred capital expenditures of $36.4 million and additional operating expenses for environmental controls.

Although vegetation from the Company's ongoing reclamation project at the Whitewood Coal Mine is a marked improvement over the pre-mining cover, an expanded research project is under way to supplant the present alfalfa crop with other agricultural vegetation.

Safety precautions required in continued mining operations do not permit the reclaimed land to be open to the public at this time, but planning for ultimate use has begun. With the encouragement of the Company a public advisory committee has been formed to consider the end use and disposition of reclaimed lands at the coal mines supplying the Wabamun and the Sundance Plants. This long term committee, consisting of corporate and provincial, municipal and regional government representatives, will assess the potential of




the more than 10,000 acres at these mines and suggest an end use to serve the best interests of shareholders and customers of the Company as well as the public.

Since environmental controls provide no additional revenue the capital so invested has to be serviced from higher rates payable by electric power consumers. The Company is continuing a cost/benefit evaluation of its many environmental programs. For example, the Company applied to the Energy Resources Conservation Board (Alberta) for permission to delay the installation of cooling-water facilities at the Wabamun Plant because studies to date on the effect of warm water discharge to Lake Wabamun do not, in our opinion, provide a conclusive basis to justify massive capital expenditures for alternate cooling arrangements.

Western Fly Ash Ltd., a wholly owned subsidiary, is marketing with increasing success fly ash collected at the Wabamun Plant. During the year 32,000 tons, being 9% of the ash produced from the coal burned at the generating plant, were sold for such uses as a partial cement substitute in the manufacture of concrete blocks, large concrete pours, oil well cementing and filler material in both asphalt surfacing and in the manufacture of decorative tile.

## RATE REGULATION

The Alberta regulatory climate has been effective in ensuring that financing of utilities can be achieved at reasonable cost.

Despite continued cost control and expenditures restraint in harmony with government anti-inflation programs, electricity rates will continue to rise since the unit cost of new plant to meet growing load is substantially above that of plant now in service. In the past as its load grew the Company was able to install larger and more efficient generating equipment at lower unit cost, but economies of scale in these times of high inflation are more than offset by the greatly increased cost of such facilities.

An interim rate increase was in effect during 1975 subject to confirmation or adjustment as the Public Utilities Board may direct.

After a public hearing the Board issued a decision in August 1975 establishing the allowable level of revenue for the Company for both 1975 and 1976 predicated on a two-year future test period. The revenue requirement was based on a return on common shares of $3.40 per share for 1975 and of $3.75 per share for 1976, equivalent to a rate of return of 15% on the book value of common equity. The Board stated that the use of a two-year future test period should increase investor confidence in the financial integrity of the Company and at the same time lessen the cost to the consumer through savings in financial costs and reduced rate hearing expenses. This decision was no doubt a significant factor in the successful marketing of the large block of 1,300,000 common shares in the fall of 1975.

The Board directed the Company to file a revised schedule of rates to meet the revenue requirements found by the Board. In December 1975 the Board approved, on an interim basis, the implementation of the first of two stages of increased rates filed by the Company. It is expected that a decision as to the final rates for 1975 and 1976 will be rendered during the first part of 1976.

Further particulars of rate regulation are given on page 18.

Highly trained crews working on energized lines to minimize service interruptions.

## ENERGY RESOURCE MANAGEMENT

Prolonged construction labour strikes at the Sundance Plant delayed completion of the third generating unit. Commissioning of this unit is now scheduled for the spring of 1976 with completion of the fourth unit planned for the winter of 1976-1977. The fifth unit is scheduled to be commissioned in 1978. The Energy Resources Conservation Board has granted approval for construction of a sixth unit at this plant. When this unit is completed in 1980 the net generating capability of the Sundance Plant will be some 1,980,000 kilowatts.

In November 1975 application was made to the Energy Resources Conservation Board for permission to proceed with the Camrose-Ryley Project consisting of a large steam electric generating plant and an associated coal mining operation. At current prices the cost of the generating plant would be about $935 million. If inflation continues at the present rate the total cost when all units have been installed could amount to $2.2 billion spread over the construction period of about 10 years. The plant would be located approximately 40 miles southeast of Edmonton where there are sufficient coal reserves for the life of the plant. The planned net generating capability is just over 2 million kilowatts consisting of six units to be completed during the period 1982 to 1986.

The Company is participating in a joint research and development program currently related to better and more efficient transmission, distribution and utilization of electric energy. This program was implemented by the Canadian Electrical Association in conjunction with the Canadian Government and approximately 20 electric utilities across Canada.

## AEC POWER LTD.

As part of its expansion of operations the Company is negotiating with Alberta Energy Company Ltd. to participate in AEC Power Ltd. for an equity investment of approximately $10 million. AEC Power Ltd. proposes to construct, own and operate the utilities plant which will supply electricity and steam to the Syncrude Project for the production of synthetic crude oil from the Athabasca bituminous sands area of Alberta. The cost of the utilities plant to meet the designed power requirement is estimated at $300 million.

## ORGANIZATION

It is with deep regret that your directors record the death on April 23, 1975 of G. H. Thompson, M.C. During an association extending over 50 years with the Company Mr. Thompson served in various capacities including General Manager, Vice-President, President and Chairman of the Board. His many contributions to the growth and success of the Company will long be remembered and his presence and wisdom will be greatly missed.

W. J. McCarthy, Senior Vice-President, Finance of Sun Life Assurance Company of Canada, was elected to the Board at the annual meeting on May 1, 1975. In August 1975, R. F. Phillips, President and Chief Executive Officer of Home Oil Company Limited, was appointed a director to fill the vacancy created by the resignation of R. J. Pitt.

T. D. Stanley retired as Vice-President, Resources Planning on July 31, and G. H. Milligan, Vice-President, Administration retired on December 31 after more than 40 and 50 years, respectively, of valued service.

To further strengthen the corporate team the following appointments were made: W. L. Fraser, Vice-President, Engineering and Planning; K. F. McCready, Vice-President, Administration (January 1, 1976); H. G. Schaefer, Vice-President, Finance (in addition to retaining his position as Treasurer); E. W. Smith, Vice-President, Operations and Customer Services; and E. J. Barry, Assistant Vice-President, Planning.

The problems and challenges which lie ahead are formidable. The extent to which they are met depends on the capabilities and training of our personnel. It is imperative that employees are provided with the opportunity to enhance their abilities and the Company's programs are designed to that end. The success of the Company is due in large measure to the competence and diligence of our employees and to the continuing support of customers and investors, all of which is appreciatively acknowledged.

Submitted on behalf of the Board of Directors

a. w. Howard

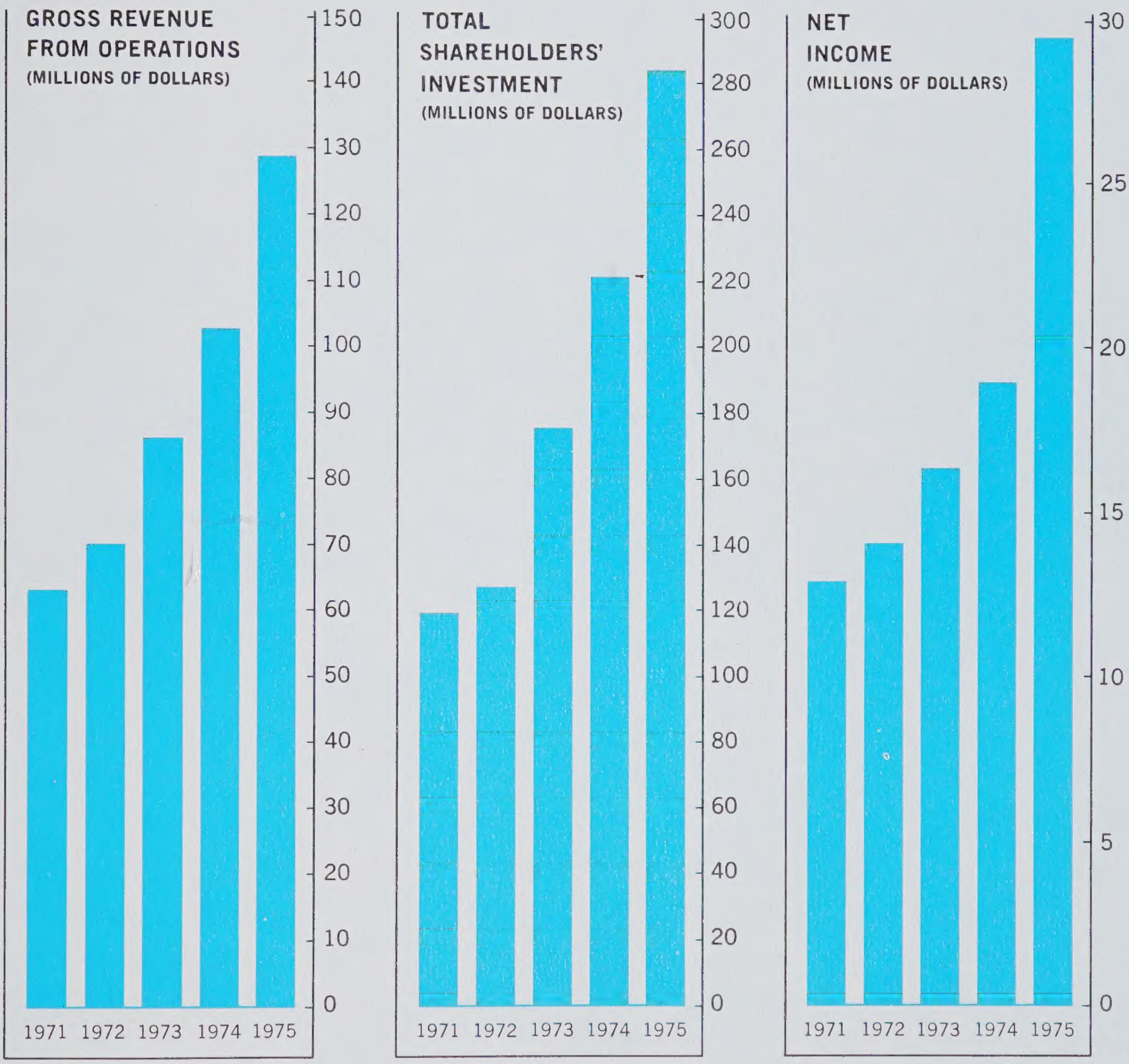
A. W. Howard
Chairman of the Board
and Chief Executive Officer

M M Williams

M. M. Williams
President

February 17, 1976

# FINANCIAL STATEMENTS




A statistical summary providing additional
financial information is available upon request to:
F. V. Kay, Assistant Treasurer,
Calgary Power Ltd.,
Box 1900, Calgary, Alberta T2P 2M1

## ASSETS

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of Dollars) | |
| **PROPERTY ACCOUNT:** | | |
| Land, buildings, plant and equipment at cost | $879,296 | $721,217 |
| Less accumulated depreciation | 159,901 | 143,083 |
| | 719,395 | 578,134 |
| **CURRENT ASSETS:** | | |
| Cash | 39 | 151 |
| Accounts receivable | 18,332 | 10,944 |
| Materials and supplies at average cost | 11,872 | 5,901 |
| Prepaid expenses | 501 | 648 |
| | 30,744 | 17,644 |
| **DEFERRED CHARGES:** | | |
| Financing costs less amortization | 9,119 | 5,586 |
| Other | 357 | 200 |
| | 9,476 | 5,786 |
| | $759,615 | $601,564 |

*(See accompanying summary of accounting policies and notes to consolidated financial statements)*

December 31, 1975 and 1974

## LIABILITIES

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of Dollars) | |
| **SHAREHOLDERS' EQUITY:** | | |
| Common shares | $ 56,915 | $ 23,988 |
| Contributed surplus | 255 | 67 |
| Reserve for rate adjustments (Note 1) | 2,363 | 2,363 |
| Retained earnings | 118,894 | 107,367 |
| Total common shareholders' equity | 178,427 | 133,785 |
| Preferred shares | 106,087 | 87,557 |
| Total shareholders' equity | 284,514 | 221,342 |
| **LONG TERM DEBT** | 322,971 | 255,197 |
| **CURRENT LIABILITIES:** | | |
| Bank loan and short term notes | 37,405 | 11,405 |
| Accounts payable and accrued charges | 24,366 | 24,624 |
| Income and other taxes payable | 1,790 | 5,398 |
| Dividends payable | [illegible] | 3,088 |
| Accrued interest on long term debt | 6,236 | 3,689 |
| Consumers' deposits | 355 | 347 |
| Current portion of long term debt | 6,972 | 12,929 |
| | 82,608 | 61,480 |
| **DEFERRED CREDITS:** | | |
| Deferred income taxes | 42,065 | 42,016 |
| Customer contributions | 22,757 | 16,722 |
| Government contribution | 4,700 | 4,807 |
| | 69,522 | 63,545 |
| | $759,615 | $601,564 |

On behalf of the Board:

A. W. HOWARD, Director

W. J. McCARTHY, Director

*(See accompanying summary of accounting policies and notes to consolidated financial statements)*

**CALGARY POWER LTD.**

## CONSOLIDATED STATEMENT OF INCOME

| Years ended December 31, 1975 and 1974 | 1975 | 1974 |
|---|---|---|
| | (Thousands of Dollars) | |
| Gross revenue from operations (Note 2) | $128,606 | $102,449 |
| Operating deductions: | | |
| Operating expenses | 30,998 | 25,810 |
| Fuel and purchased power | 14,210 | 8,065 |
| Taxes, other than taxes on income | 5,252 | 4,263 |
| Depreciation | 18,484 | 17,058 |
| Taxes on income | 15,100 | 14,495 |
| | 84,044 | 69,691 |
| Operating income | 44,562 | 32,758 |
| Allowance for funds used during construction | 11,692 | 4,142 |
| Income before interest charges and extraordinary item | 56,254 | 36,900 |
| Interest charges: | | |
| Interest on first mortgage bonds | 11,157 | 10,550 |
| Interest on other long term debt | 14,074 | 8,221 |
| Other interest (net) | 1,562 | 801 |
| | 26,793 | 19,572 |
| Net income before extraordinary item | 29,461 | 17,328 |
| Gain on sale of property | — | 1,628 |
| Net income for the year | 29,461 | 18,956 |
| Dividends on preferred shares | 7,520 | 3,829 |
| Earnings applicable to common shares | $ 21,941 | $ 15,127 |
| Earnings per common share: | | |
| On average shares actually outstanding | | |
| Before extraordinary item | $3.40 | $2.39 |
| Gain on sale of property | — | .29 |
| Total earnings per share | $3.40 | $2.68 |
| Fully diluted—assuming conversion of the 5.40% convertible first preferred shares | | |
| Before extraordinary item | $3.36 | $2.37 |
| Gain on sale of property | — | .28 |
| Total earnings per share | $3.36 | $2.65 |

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| Years ended December 31, 1975 and 1974 | 1975 | 1974 |
|---|---|---|
| | (Thousands of Dollars) | |
| Balance at beginning of year | $107,367 | $ 99,208 |
| Net income for the year | 29,461 | 18,956 |
| Transfer from reserve for rate adjustments (Note 1) | — | 200 |
| | 136,828 | 118,364 |
| Deduct dividends: | | |
| Preferred shares | 7,520 | 3,829 |
| Common shares | 10,414 | 7,168 |
| | 17,934 | 10,997 |
| Balance at end of year | $118,894 | $107,367 |

*(See accompanying summary of accounting policies and notes to consolidated financial statements)*

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1975 and 1974

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of Dollars) | |
| **SOURCE OF FUNDS** | | |
| From operations: | | |
| Net income for the year | $ 29,461 | $ 18,956 |
| Add items not involving funds— | | |
| Depreciation | 18,484 | 17,058 |
| | 47,945 | 36,014 |
| Issue of Common Shares | 32,500 | 8,993 |
| Issue of First Preferred Shares | 20,000 | 30,000 |
| Issue of Long Term Debt: | | |
| First Mortgage Bonds | — | 41,500 |
| Notes Payable—Secured | 17,955 | 3,040 |
| Secured Debentures | 60,444 | 11,075 |
| Sundry Indebtedness | 482 | 463 |
| Other | 3,248 | 1,790 |
| | $182,574 | $132,875 |
| **APPLICATION OF FUNDS** | | |
| Capital expenditures: | | |
| Production | $ 87,320 | $ 56,949 |
| Environmental | 36,368 | 26,416 |
| Transmission | 10,195 | 10,079 |
| Substations | 3,603 | 5,393 |
| Distribution | 19,104 | 12,156 |
| Other | 3,929 | 9,216 |
| | 160,519 | 120,209 |
| Dividends: | | |
| Preferred shares | 7,520 | 3,829 |
| Common shares | 10,414 | 7,168 |
| Reduction of Preferred Shares | 1,042 | 466 |
| Retirement of Long Term Debt | 17,064 | 11,570 |
| Increase in bank loan and short term notes | (26,000) | (7,000) |
| Decrease (increase) in working capital deficiency exclusive of changes in bank loan and short term notes and current portion of long term debt | 12,015 | (3,367) |
| | $182,574 | $132,875 |

*(See accompanying summary of accounting policies and notes to consolidated financial statements)*

# CALGARY POWER LTD.

## STATEMENT OF LONG TERM DEBT

December 31, 1975 and 1974

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of dollars) | |
| First Mortgage Bonds | $149,147 | $155,122 |
| Notes Payable—Secured | 30,929 | 14,766 |
| Secured Debentures | 127,603 | 74,761 |
| Notes Payable—Other | 14,915 | 15,840 |
| Sundry Indebtedness | 7,349 | 7,637 |
| | 329,943 | 268,126 |
| Less current portion | 6,972 | 12,929 |
| | $322,971 | $255,197 |

**First Mortgage Bonds**

| | 1975 | 1974 |
|---|---|---|
| 7¾% Series due 1975 | $ — | $ 2,000 |
| 4½% Series due 1976 | 3,025 | 3,300 |
| 7¾% Series due 1976 | — | 3,000 |
| 5½% Series due 1977 | 6,297 | 6,997 |
| 8¼% Series due 1977 | 2,500 | 2,500 |
| 5½% Series due 1978 | 3,700 | 3,700 |
| 7.80% Series due 1978 | 5,000 | 5,000 |
| 4 % Series due 1979 | 3,165 | 3,165 |
| 5¾% Series due 1981 | 9,400 | 9,400 |
| 8¾% Series due 1981 | 11,500 | 11,500 |
| 5¾% Series due 1982 | 8,000 | 8,000 |
| 5¾% Series due 1983 | 9,000 | 9,000 |
| 5⅝% Series due 1984 | 7,000 | 7,000 |
| 6 % Series due 1985 | 8,560 | 8,560 |
| 7½% Series due 1988 | 12,000 | 12,000 |
| 7⅞% Series due 1989 | 5,000 | 5,000 |
| 8½% Series due 1993 | 25,000 | 25,000 |
| 9⅛% Series due 1994 | 30,000 | 30,000 |
| | $149,147 | $155,122 |

The First Mortgage Bonds are secured by a first and specific mortgage and charge upon certain of the Company's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta.

The Trust Deed securing the issues provides for a sinking fund for the retirement of First Mortgage Bonds payable on September 1 each year of 1% of the original principal amount of First Mortgage Bonds previously issued.

**Notes Payable—Secured** (Note 6)

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of dollars) | |
| 5½% and 6% Series due 1975 to 1983 (Payable in sterling—£10,546,000; 1974—£4,916,000) | $24,880 | $12,143 |
| 6% and 7% Series due 1978 to 1982 (payable in U.S. dollars—$6,018,000; 1974—$2,648,000) | 6,049 | 2,623 |
| | $30,929 | $14,766 |

These notes have no authorized limit, are fully secured by First Mortgage Bonds and have been stated in Canadian funds at the rate of exchange prevailing at the date of issue.

**Secured Debentures**

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of dollars) | |
| Series A—maturing one to five years at interest rates varying from 7¼% to 11⅛% | | |
| Due 1975 | $ — | $ 7,103 |
| Due 1976 | 1,235 | 1,235 |
| Due 1977 | 1,006 | 1,006 |
| Due 1978 | 542 | 542 |
| Due 1979 | 10,075 | 10,075 |
| Due 1980 | 444 | — |
| | 13,302 | 19,961 |
| Series B— 9⅜% Due 1990 | 19,551 | 19,800 |
| Series C— 8 % Due 1992 | 24,750 | 25,000 |
| Series D— 7⅝% Due 1978 | 3,000 | 3,000 |
| — 7¾% Due 1980 | 7,000 | 7,000 |
| Series E—10½% Due 2000 | 60,000 | — |
| | $127,603 | $74,761 |

The Debentures are secured by a floating charge on the property and assets of the Company subject to the first and specific mortgage and charge and first floating charge securing the First Mortgage Bonds. The Trust Indenture securing the issue provides for sinking funds for the retirement of certain series at varying rates.

**Notes Payable—Other**

| | 1975 | 1974 |
|---|---|---|
| | (Thousands of dollars) | |
| 1976 | $ — | $ 3,410 |
| 1977 | 2,910 | 2,910 |
| 1978 | 3,370 | 3,370 |
| 1979 | 2,670 | 2,670 |
| 1980 | 3,480 | 3,480 |
| 1981 | 2,485 | — |
| | $14,915 | $15,840 |

These notes, which are unsecured and have no authorized limit bear interest, determined at June 30 and December 31 of each year, at the greater of the prevailing prime bank interest rate or the five year bank term deposit rate (9¾% at December 31, 1975) and mature December 31 in each year. These amounts are payable to rural electrification co-operative associations through their agent Farm Electric Services Ltd. and represent a portion of funds contributed by members of these associations which have been invested with the approval of the Alberta Director of Co-operative Activities.

**Annual Requirements**

The annual requirements for sinking fund and for repayment of maturing issues of currently outstanding long term debt for each of the following years is:

| Year ended Dec. 31 | Annual Requirement (Thousands of dollars) Sinking Fund | Maturing Issues |
|---|---|---|
| 1976 | $ 401 | $ 6,571 |
| 1977 | 2,975 | 16,234 |
| 1978 | 3,047 | 20,719 |
| 1979 | 3,647 | 20,352 |
| 1980 | 3,647 | 16,204 |

Sinking fund requirements have been reduced by bonds purchased and cancelled to meet annual requirements. The requirements shown for maturing issues will be reduced to the extent of purchases of these issues for sinking fund purposes.

*(See accompanying summary of accounting policies and notes to consolidated financial statements)*

# STATEMENT OF CAPITAL STOCK

December 31, 1975 and 1974

| | Shares issued and outstanding 1975 | Shares issued and outstanding 1974 | Amount 1975 (Thousands of dollars) | Amount 1974 (Thousands of dollars) |
|---|---|---|---|---|
| Common Shares of no par value | | | | |
| Authorized — 12,000,000 shares (1974—10,000,000 shares) | | | | |
| — Class A shares | 7,094,602 | 6,137,955 | $ 54,194 | $23,988 |
| — Class B shares | 356,181 | — | 2,721 | — |
| | 7,450,783 | 6,137,955 | $ 56,915 | $23,988 |
| First Preferred Shares of $100 each (Note 6) | | | | |
| Authorized — 3,000,000 shares (1974—1,000,000 shares) | | | | |
| Cumulative redeemable preferred shares | | | | |
| 4 % Series | 49,788 | 49,890 | $ 4,979 | $ 4,989 |
| 4½% Series | 29,563 | 29,685 | 2,956 | 2,968 |
| 5 % Series | 39,475 | 39,675 | 3,948 | 3,968 |
| 5.40% Series (convertible) | 55,514 | 59,790 | 5,551 | 5,979 |
| 7 % Series | 142,735 | 146,535 | 14,273 | 14,653 |
| 7½% Series | 243,800 | 250,000 | 24,380 | 25,000 |
| 10 % Series | 300,000 | 300,000 | 30,000 | 30,000 |
| 9.80% Series | 200,000 | — | 20,000 | — |
| | 1,060,875 | 875,575 | $106,087 | $87,557 |
| Second Preferred Shares of $25 each | | | | |
| Authorized — 3,000,000 shares | | | | |
| Issued | — | — | $ — | $ — |

During the year the authorized capital was changed from 1,000,000 First Preferred Shares and 10,000,000 Common Shares to 3,000,000 First Preferred Shares and 12,000,000 Class A and 12,000,000 Class B Common Shares.

The Class A and Class B Common Shares are interconvertible at any time on a share-for-share basis, carry one vote per share and the total Class A and Class B Common Shares issued and outstanding at any one time may not exceed 12,000,000 shares. Regular dividends will be paid on the Class A Common Shares and a tax-deferred dividend may be paid on the Class B Common Shares. The tax-deferred dividend on the Class B shares will be the equivalent cash dividend on the Class A shares less the required tax. Such tax-deferred dividends on the Class B shares will be paid out of tax-paid undistributed surplus on hand as defined under the Income Tax Act (Canada). At December 31, 1975 approximately $21,000,000 was available for the creation of tax-paid undistributed surplus.

On October 7, 1975 the Company issued and sold 1,300,000 Class A Common Shares at a price of $25 per share. Also during the year 12,828 common shares were issued on conversion of 4,276 5.40% First Preferred Shares. The remaining outstanding preferred shares of the 5.40% Series are convertible into three common shares for each preferred share converted up to and including November 30, 1976 and 166,542 common shares were reserved at December 31, 1975 for such conversion. On July 22, 1975 the Company issued and sold 200,000 9.80% First Preferred Shares at a price of $100 per share.

Each series of First Preferred Shares is cumulative and redeemable at the option of the Company at par together with a premium not in excess of the annual dividend applicable to such series.

The 7% Series and 7½% Series have attached thereto non-cumulative purchase funds requiring the Company to set aside in each calendar year 2% of the original issued par value of each series. The 10% Series has attached thereto a cumulative sinking fund requiring the Company to redeem on May 15, 1976 and each year thereafter 12,000 shares at par plus accrued dividends to the date of redemption. The 9.80% Series has attached thereto a cumulative sinking fund requiring the Company to redeem on November 30, 1976 and each year thereafter 8,000 shares at par plus accrued dividends to the date of redemption.

During the year the Company purchased for cancellation on the open market 3,800 First Preferred Shares of the 7% Series and 6,200 shares of the 7½% Series to meet the 1975 purchase fund requirement attached to such series and also purchased 424 First Preferred Shares of certain other series. The excess of the par value of the shares purchased over the cost thereof amounted to $188,000 and is included in contributed surplus.

*(See accompanying summary of accounting policies and notes to consolidated financial statements)*

# AUDITORS' REPORT

To the Shareholders of Calgary Power Ltd.

We have examined the consolidated balance sheet of Calgary Power Ltd. and its subsidiaries and the consolidated statements of long term debt and capital stock as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
February 6, 1976

CLARKSON, GORDON & CO.,
Chartered Accountants.

## SUMMARY OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company.

**Regulation**

The Company, which is engaged in the production and sale of electric energy in the Province of Alberta, is regulated by the Energy Resources Conservation Board pursuant to The Hydro and Electric Energy Act, (Alberta) and the Public Utilities Board pursuant to Part II of The Public Utilities Board Act, (Alberta). The Company and its hydro operations are also subject to The Provincial Water Power Regulations (Alberta). These acts and regulations cover such matters as rates, construction, operations and accounting.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries, Kanelk Transmission Company Limited, Western Fly Ash Ltd. and Farm Electric Services Ltd. and its inactive subsidiaries, The Alberta Southern Coal Company Ltd. and The Calgary Water Power Company, Limited.

Kanelk Transmission Company Limited owns transmission facilities extending from the Company's hydro-electric plants on the Kananaskis River through British Columbia to the Crowsnest Pass in southern Alberta. Western Fly Ash Ltd. processes and distributes fly ash gathered at the Wabamun Steam Electric Plant. Farm Electric Services Ltd. is a non-profit organization which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by rural electrification co-operative associations.

**Taxes on Income**

The Company follows the tax allocation basis of accounting. Prior to 1973 deferred income taxes were recorded in the accounts as a result of the Company claiming for tax purposes depreciation and other items in amounts greater than those charged in the accounts.

In 1973 in accordance with a decision of the Public Utilities Board (Alberta) the Company ceased claiming for tax purposes depreciation and other expenses which would result in any additional deferral of income taxes with respect to its regulated utility operations.

Under the Public Utilities Income Tax Transfer Act (Canada) and enabling legislation passed by the Province of Alberta, 95% of Federal and 100% of Provincial corporation income taxes paid, attributable to the electric utility operations, are rebated to customers of the Company.

**Allowance for Funds Used During Construction**

An allowance for funds used during construction is capitalized at the Company's average after-tax cost of capital and is included in the property account.

**Customer Contributions**

This account consists of deferred revenue arising from contributions received from customers which is being amortized to income in accordance with a decision of the Public Utilities Board (Alberta).

**Government Contribution**

This account consists of the unamortized portion of a contribution of $5,075,000 received from the Province of Alberta towards the cost of construction of the Bighorn Storage and Power Development Project completed in 1972 and is being amortized as a reduction of the related depreciation expense.

**Financing Costs**

Costs of financing are amortized by charges to expense as follows:

Debt issues — over the remainder of the original life of the respective issues.

Equity issues — over the lesser of 30 years or the estimated life of the issue.

Gains or losses realized on the purchase of Company debt for sinking fund purposes are amortized over the remaining life of the issue.

These policies are in accordance with the method of determining the Company's cost of capital for regulatory purposes.

**Property Account**

The land, buildings, plant and equipment are carried at cost and include property under construction of $203,135,000 ($109,189,000 in 1974).

The Company provides for depreciation on a straight line basis calculated, using various rates including 2.1% on hydro and 3.3% on thermal plants. These various rates were set by the Public Utilities Board (Alberta) based on a depreciation study prepared by the Company and resulted in a 1975 composite rate of 3.19% (1974—3.09%). This study included depreciation estimates based on the probable service life characteristics and net salvage of the Company's assets using the straight line method.

December 31, 1975

**1. Reserve for Rate Adjustments**

In accordance with submissions by the Company to the Public Utilities Board (Alberta), reassessments, if any, of the three year income tax exemption on the Highvale Coal Mine and rate hearing costs as directed will be charged to this reserve. The Company has ceased amortization of this reserve pending direction from the Public Utilities Board (Alberta). The reserve is being treated for rate making purposes as an interest-free source of capital.

**2. Rates for Service**

In a decision August 14, 1975 the Public Utilities Board (Alberta) determined the rate base, fixed a fair return thereon and estimated total revenue requirements for the 1975 year of $128,800,000. The Company has operated under interim rate schedules during 1975 pending a final determination of rates by class of consumer. Hearings with respect to these rate schedules were completed in January 1976 and a decision on final rates will be rendered following submission of written argument.

**3. Pension Plan**

The Company has a retirement pension fund covering substantially all employees. Based on actuarial advice an unfunded past service obligation of approximately $8,500,000 at January 1, 1975 is being funded and charged to operations in annual amounts of $993,000.

**4. Directors and Officers**

The Board of Directors consists of eleven directors of whom two are officers of the Company. The aggregate remuneration paid during 1975 by the Company to the directors as directors was $25,000 and to the eight officers as officers was $237,000 (1974—$17,000 and $163,000 respectively). In addition, the Company paid $109,000 (1974—$99,000) indirectly for the services of certain of the officers and directors.

**5. Anti-Inflation Act**

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. The legislation is applicable to increases in prices and profit margins, employee compensation and shareholder dividends. The Company's rates are regulated by the Public Utilities Board (Alberta) and the extent to which the guidelines under the Act may affect the Company is not known. However, the Government of the Province of Alberta has indicated that it expects the Public Utilities Board (Alberta) will permit regulated companies that provide the Province with essential utilities to earn rates of return sufficient to assure the continued viability and economic strength of such companies.

**6. Subsequent Events**

Pursuant to an underwriting agreement dated January 23, 1976 the Company has agreed to issue and sell 300,000 9¾% First Preferred Shares of the par value of $100 per share.

A Financial Agreement dated January 13, 1976 between Williams & Glyn's Bank Limited and the Company has been executed and provides for maximum sterling credit of approximately £10,400,000 for the acquisition of the sixth unit for the Sundance Steam Electric Plant. As funds are advanced, the Company will issue Notes Payable — Secured to Williams & Glyn's Bank Limited and such Notes will be collaterally secured by First Mortgage Bonds previously issued.

# CALGARY POWER LTD. CONSOLIDATED

| | 1975 | 1974 | 1973 |
|---|---|---|---|
| **Financial Record** (Thousands of dollars) | | | |
| Gross revenue from operations | | | |
| Residential, general service and small industry | $ 35,657 | 27,463 | 22,805 |
| Industry | 45,892 | 37,468 | 32,224 |
| Cities and towns under wholesale contracts | 32,687 | 24,982 | 20,736 |
| Farms | 12,254 | 10,290 | 8,707 |
| Other electrical | 1,004 | 1,199 | 678 |
| Total electrical | $127,494 | 101,402 | 85,150 |
| Water utility revenue | 1,112 | 1,047 | 973 |
| Gross revenue from operations | $128,606 | 102,449 | 86,123 |
| Operating deductions | | | |
| Operating expenses | $ 30,998 | 25,810 | 20,113 |
| Fuel and purchased power | 14,210 | 8,065 | 8,653 |
| Taxes, other than taxes on income | 5,252 | 4,263 | 3,543 |
| Depreciation | 18,484 | 17,058 | 14,490 |
| Taxes on income | 15,100 | 14,495 | 9,840 |
| | $ 84,044 | 69,691 | 56,639 |
| Operating income | $ 44,562 | 32,758 | 29,484 |
| Allowance for funds used during construction | 11,692 | 4,142 | 3,760 |
| Income before interest charges | $ 56,254 | 36,900 | 33,244 |
| Interest charges: | | | |
| Interest on first mortgage bonds | $ 11,157 | 10,550 | 8,065 |
| Interest on other long term debt | 14,074 | 8,221 | 7,801 |
| Other interest (net) | 1,562 | 801 | 1,074 |
| | $ 26,793 | 19,572 | 16,940 |
| Net income before extraordinary item | $ 29,461 | 17,328 | 16,304 |
| Gain on sale of property | — | 1,628 | — |
| Net income for the year | $ 29,461 | 18,956 | 16,304 |
| Total shareholders' investment (3) | $284,514 | 221,342 | 175,233 |
| Net income as a % of average shareholders' investment | 11.6 | 9.6 | 10.8 |
| Book value per common share (year end) | $23.95 | 21.80 | 21.01 |
| Earnings per common share | $ 3.40 | 2.68(2) | 2.62 |
| Dividends per common share (declared) | $ 1.60 | 1.25 | 1.10 |
| **Statistical Record** | | | |
| KWH Sales (Millions) | | | |
| Residential, general service and small industry | 1,166 | 1,029 | 921 |
| Industry | 3,028 | 3,122 | 3,069 |
| Cities and towns under wholesale contracts | 3,640 | 3,270 | 2,914 |
| Farms | 564 | 531 | 479 |
| | 8,398 | 7,952 | 7,383 |
| Customers | | | |
| Served directly | 184,740 | 171,977 | 164,136 |
| Served indirectly through wholesale contracts | 190,978 | 182,601 | 159,960 |
| Generating capability (Net MW) | | | |
| Hydro | 800 | 800 | 800 |
| Thermal | 1,141 | 1,141 | 1,141 |
| | 1,941 | 1,941 | 1,941 |
| Capital Expenditures (Thousands of dollars) | $160,519 | 120,209 | 66,836 |
| Total Assets | $759,615 | 601,564 | 492,335 |
| Capitalization ratio % (4) | | | |
| Long term debt | 53.2 | 53.5 | 55.0 |
| Preferred shares | 17.4 | 18.4 | 14.9 |
| Common shareholders' equity (3) | 29.4 | 28.1 | 30.1 |
| | 100.0 | 100.0 | 100.0 |

*Note: (1) Excluding income tax savings from the coal mining operation.*
*(2) 1974 includes a non-recurring gain on sale of property of 29¢ per share.*
*(3) Restated to include contributed surplus and reserve for rate adjustments.*
*(4) Restated to exclude current portion of long term debt due within one year.*

## ID YEAR SUMMARY

| 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 |
|---|---|---|---|---|---|---|
| 18,345 | 16,622 | 15,042 | 14,033 | 14,041 | 13,046 | 12,169 |
| 24,975 | 21,361 | 18,776 | 16,389 | 14,412 | 12,195 | 11,547 |
| 17,395 | 16,334 | 15,145 | 13,158 | 11,436 | 10,537 | 9,319 |
| 7,756 | 7,258 | 6,588 | 6,271 | 5,675 | 5,406 | 4,988 |
| 702 | 663 | 649 | 602 | 348 | 213 | 214 |
| 69,173 | 62,238 | 56,200 | 50,453 | 45,912 | 41,397 | 38,237 |
| 853 | 764 | 648 | 600 | 581 | 533 | 503 |
| 70,026 | 63,002 | 56,848 | 51,053 | 46,493 | 41,930 | 38,740 |
| 17,553 | 15,449 | 13,144 | 11,436 | 9,812 | 9,784 | 8,424 |
| 5,742 | 4,842 | 5,103 | 3,731 | 3,521 | 3,093 | 2,404 |
| 3,365 | 2,851 | 2,597 | 2,442 | 2,126 | 1,948 | 1,823 |
| 13,100 | 12,200 | 10,900 | 9,500 | 8,500 | 7,400 | 6,900 |
| 5,450 | 5,530 | 7,430 | 7,530 | 7,350 | 6,660 | 5,210 |
| 45,210 | 40,872 | 39,174 | 34,639 | 31,309 | 28,885 | 24,761 |
| 24,816 | 22,130 | 17,674 | 16,414 | 15,184 | 13,045 | 13,979 |
| 3,718 | 2,051 | 4,256 | 2,235 | 1,822 | 2,432 | 1,564 |
| 28,534 | 24,181 | 21,930 | 18,649 | 17,006 | 15,477 | 15,543 |
| 7,437 | 6,515 | 6,600 | 6,426 | 5,343 | 4,478 | 4,464 |
| 6,491 | 4,425 | 2,151 | 1,304 | 897 | 717 | 697 |
| 467 | 360 | 1,493 | 342 | 816 | 558 | 451 |
| 14,395 | 11,300 | 10,244 | 8,072 | 7,056 | 5,753 | 5,612 |
| 14,139 | 12,881 | 11,686 | 10,577 | 9,950 | 9,724 | 9,931 |
| — | — | — | — | — | — | — |
| 14,139 | 12,881 | 11,686 | 10,577 | 9,950 | 9,724 | 9,931 |
| 126,775 | 119,076 | 112,745 | 106,866 | 101,834 | 97,429 | 92,885 |
| 11.5 | 11.1 | 10.6 | 10.1 | 10.0 | 10.2 | 12.0 |
| 19.49 | 18.11 | 16.33 | 15.21 | 14.25 | 13.41 | 12.55 |
| 2.38 | 2.18 | 1.97 | 1.76 | 1.64 | 1.59 | 1.58(1) |
| 1.00 | 1.00 | .85 | .80 | .80 | .72½ | .70 |
| 813 | 718 | 636 | 597 | 608 | 555 | 508 |
| 2,648 | 2,242 | 1,957 | 1,735 | 1,441 | 1,219 | 1,148 |
| 2,741 | 2,482 | 2,336 | 1,998 | 1,669 | 1,510 | 1,347 |
| 458 | 424 | 379 | 359 | 321 | 303 | 277 |
| 6,660 | 5,866 | 5,308 | 4,689 | 4,039 | 3,587 | 3,280 |
| 153,118 | 146,193 | 139,925 | 135,161 | 140,244 | 136,837 | 133,517 |
| 152,509 | 144,833 | 137,004 | 140,283 | 123,324 | 116,724 | 113,744 |
| 800 | 680 | 680 | 680 | 680 | 680 | 490 |
| 855 | 860 | 860 | 574 | 574 | 294 | 294 |
| 1,655 | 1,540 | 1,540 | 1,254 | 1,254 | 974 | 784 |
| 66,245 | 49,895 | 49,945 | 40,867 | 30,669 | 29,189 | 28,902 |
| 438,976 | 377,313 | 339,558 | 297,617 | 270,179 | 247,032 | 224,580 |
| 63.5 | 59.2 | 58.8 | 55.6 | 54.9 | 53.4 | 51.8 |
| 5.2 | 6.2 | 9.9 | 11.2 | 12.0 | 12.9 | 14.0 |
| 31.3 | 34.6 | 31.3 | 33.2 | 33.1 | 33.7 | 34.2 |
| 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

# RATE REGULATION

The Company's rates are regulated by the Public Utilities Board (Alberta). Except upon questions of jurisdiction or of law, for which leave to appeal to the Appellate Division of the Supreme Court of Alberta may be obtained, orders and decisions of the Board are final.

Calgary Power is regulated on a cost of service basis in common with most investor-owned utilities in North America. As a result of this regulatory process only the cost of doing business including a fair return on capital investment is permitted to be built into the rate schedules after full examination in a public hearing. Accordingly, existing regulatory procedure appears to satisfy the federal and provincial anti-inflation programs.

On October 15, 1974 the Company filed Notice of Application for increased rates and a redetermination of its rate base and following a hearing the Board granted an interim rate increase as set out in rate schedules filed by the Company. These rates provided for an overall average increase of 17.6% and were effective in January 1975. The hearing has concluded with respect to the first phase of the Application relating to estimated required levels of revenue and rate base. The Board issued a decision on August 14, 1975 containing the following, among other, findings:

(i) a forecast mid-year rate base of $572,854,000 for 1975 and $719,830,000 for 1976; and

(ii) estimated electric revenue requirements of $127,437,000 for 1975 and $167,757,000 for 1976 and total revenue requirements of $128,835,000 and $169,252,000 respectively.

In setting the required revenue levels, the Board accepted the Company's financing plan for 1975 and 1976 and estimates of rate base, operating expenses, depreciation, interest and preferred dividends for both years. The estimated revenue requirements as determined by the Board were calculated to allow earnings per share of $3.40 in 1975 and $3.75 in 1976 (approximately a rate of return of 15% on the book value of the common equity) which the Board found to be a fair rate of return on common equity.

The Board used a two-year, rather than a one-year, future test period. This innovative and progressive approach avoided the need for a further rate application by the Company in respect of 1976 as the Board established the required level of revenue for both 1975 and 1976. The Board stated that this action should increase investor confidence in the Company's financial integrity and at the same time lessen the cost to the consumer through savings in financial costs and reduced rate hearing expenses. In adopting this approach the Board will monitor the Company's operations to ensure that no unjust or unreasonable rates are in effect as a result of its decision to use a two-year future test period.

In its decision the Board directed the Company to file a schedule of rates designed to meet the revenue requirements for 1975 as well as for 1976. A hearing to consider the rates filed by the Company commenced in October 1975. On December 23, 1975 the Board approved on an interim basis the implementation of the first of two stages of increased rates proposed by the Company. The first stage provides for an overall average increase of 15.4% over January 1975 interim rates and was effective on January 1, 1976 for consumption on and after December 1, 1975. The interim rates effective on January 1, 1975 and January 1, 1976 are subject to review by the Board and the Company will refund to its customers such amounts collected under interim rates as the Board may direct. It is expected that a decision as to the final rates for 1975 and 1976 will be rendered during the first part of 1976.

Other matters referred to in the decision include comment on the Company's fuel policy. The Board stated that the Company's decision taken over twenty years ago to acquire reserves and use low cost sub-bituminous coal as a fuel has proven prudent in light of escalating costs of oil and gas. Further, it was determined that the acquisition of coal reserves as a future fuel supply for the Camrose-Ryley Project is properly included in the rate base.

The Company believes that utilization of forecasts regarding future years as the test of proposed rates and the use of interim rates to cover projected costs of service, with consideration of increases in all costs including rate of return, are important progressive features of the Alberta rate regulatory process under current conditions. These features have been beneficial in ensuring that the Company has access to the capital markets and is able to raise at reasonable cost the substantial sums of money required for investment in new generating plant and other facilities to meet the increasing demand for electricity.

# THE COMPANY

| | |
|---|---|
| Primary business | Generation and distribution of electricity |
| Service area | 75,000 square miles in the Province of Alberta and over 64% of Alberta's electric energy requirements |
| Net generating capability | 1,941,000 kilowatts |
| Number of common and preferred shareholders | 15,994 Canadian and 279 other |
| Percentage of Common and Preferred Shares held | 99% Canadian and 1% other |

Calgary Power Ltd., the largest investor-owned electric utility in Canada, provides electric service to one of the country's most prosperous and rapidly developing areas. Incorporated under the laws of Canada and Canadian owned throughout its history, the Company has been engaged in the production and distribution of electricity in the Province of Alberta since 1911. It supplies a diversified load within its service area of some 75,000 square miles from the international boundary on the south to approximately 115 miles north of Edmonton. Almost two-thirds of Alberta's energy requirements and over half of the population of the province are supplied by the Company.

In 1911 the Company completed its first generating plant, the Horseshoe Falls Hydro-electric Plant with a capacity of 13,900 kilowatts, to serve the City of Calgary and the Canada Cement Plant at Exshaw. Some communities had no electric power and others were supplied with high cost electricity from small isolated plants that operated only during specified hours. In the mid 1920's the Company began an expansion program to provide central station service 24 hours a day to these communities. This expansion program has continued over the years and the Company now supplies some 611 cities, towns, villages and hamlets, as well as farms and other customers in the surrounding rural areas. At the end of 1975 the Company served 184,740 customers directly and an additional 190,978 customers indirectly through wholesale power contracts.

The Company now owns and operates 13 hydro-electric plants and two steam electric plants with a total net generating capability of almost 2 million kilowatts. By 1980 an additional 1.4 million kilowatts will have been added at the Sundance Plant. The existing generating capability is made up of 800,000 kilowatts of hydro and 1,141,000 kilowatts of thermal generation. Operations of the hydro and thermal plants are combined to achieve minimum overall cost of energy. The large coal-fueled steam electric units supply the base or continuous load, while the hydro-electric plants are operated mainly to supply the peak load and the balance of the energy requirements. The Company has mined its own coal to meet most of its fuel requirements since 1962 when it realized that oil and gas were rapidly becoming premium fuels and a valuable feedstock for chemical processing which would soon become too expensive and scarce for power generation. The Company owns and operates two large coal mines for its primary fuel supply and mines about 5 million tons annually.

The Company's power system is highly automated. The 13 hydro-electric plants comprising 26 unattended generating units are operated remotely from a control centre 45 miles west of Calgary. The control centre handles load dispatching for all the generating plants, directs the operation of the main transmission system and has remote control of the majority of the switching points.

The Company owns approximately 22,000 miles of transmission and distribution lines. For efficiency and reliability the system is interconnected with all other major power plants in Alberta and with the system of British Columbia Hydro and Power Authority. Through the interconnection with B.C. Hydro the Company is also indirectly connected with the power pool of electric utilities operating in the northwestern United States.

At the end of 1975 staff positions including Farm Electric Services Ltd. totalled 1,792. In addition the Company provided employment during the summer for 146 university, technical and high school students.

# CALGARY POWER LTD.

## CORPORATE INFORMATION

### Head Office

110 - 12th Avenue South West, Calgary, Alberta

**Postal Address:**
Box 1900, Calgary, Alberta T2P 2M1

### Transfer Agents and Registrars

**For Preferred Shares:**
CROWN TRUST COMPANY, Vancouver, Calgary, Winnipeg, Toronto, Montreal
Montreal Trust Company, Regina, as Agent of Crown Trust Company

**For Common Shares:**
MONTREAL TRUST COMPANY, Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal

### Trustees and Registrars

**For First Mortgage Bonds:**
MONTREAL TRUST COMPANY, Vancouver, Calgary, Toronto, Montreal

**For Debenture Issues:**
THE ROYAL TRUST COMPANY, Vancouver, Calgary, Toronto, Montreal

### Auditors

CLARKSON, GORDON & CO., Chartered Accountants, Calgary

### Solicitors

JONES, BLACK & COMPANY, Calgary
DUNCAN & CRAIG, Edmonton


ALBERTA
ATHABASCA
LAC LA BICHE
BOYLE
WHITECOURT
BARRHEAD
WESTLOCK
MAYERTHORPE
REDWATER
ONOWAY
MORINVILLE
LAMONT
FT. SASKATCHEWAN
EDSON
EVANSBURG
ST. ALBERT
STONY PLAIN
WEST EDMONTON
SHERWOOD PARK
EDMONTON
HINTON
TOFIELD
DRAYTON VALLEY
LEDUC
HOLDEN
THORSBY
CAMROSE
MA-ME-O BEACH
WETASKIWIN
DAYSLAND
WAINWRIGHT
SEDGEWICK
RIMBEY
BASHAW
HUGHENDEN
LACOMBE
ALIX
ROCKY MOUNTAIN HOUSE
SYLVAN LAKE
RED DEER
PROVOST
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